

~~OFFICIAL FILE COPY~~
LDIE

PD-ARM-092

Final Report on the GAMTAXNET Project

C DRAFT

Donald George Morrison, Ph D
Harvard Institute for International Development
Cambridge, Ma USA 02138
March 16, 1995

BEST AVAILABLE COPY

FILE: FINALGAM.DOC
WORD 6-0

| | |
|---|---|
| Introduction | 3 |
| Review of Project Accomplishments | 4 |
| 1 Departmental Re-organization | 4 |
| 2 Computer Hardware | 4 |
| 3 Process Redesign and Associated Computer Software | 4 |
| 4 Legal Changes | 5 |
| 5 Working Environment | 5 |
| 6 Interdepartmental Communications | 5 |
| Proposal for the Next Stage of Work in Tax Administration Modernization | 5 |
| References | 8 |
| Appendix A Work Plan Accomplishments and Deliverables | 9 |

Introduction

The GAMTAXNET project, defined initially by the analysis of the situation by Owens in November 1991, and a proposal by Morrison and Owens (July 1992), was to computerize and modernize the administration of the income and domestic sales tax administrations in The Gambia. This work was in turn built on the report by Gray et al (February 1992). This proposal was later elaborated in Morrison (1992) and became a funded project in two contracts (a CAER buy-in in February 1993, and further USAID funding in November 1993). Active efforts to redesign the tax system and also to pass new legislation continued while funding was put in place but the current intensive activities began in January 1994 with the opening of an office in the Central Revenue Department (CRD) and the arrival of three consultants for four weeks (Morrison, Owens and Shilling).

Since that time dramatic changes have occurred in the CRD. The cashier's office has been moved and substantially upgraded along with a computer to keep records and some initial activities were begun including the keeping of all daily receipt records on spreadsheets etc. The entire CRD office has been painted, new overhead fans installed, new curtains hung, new air conditioners acquired (all of these on the government's budget). The physical organization of desks, file cabinets and other parts of the office operation have been reorganized and moved to correspond to the new Departmental organization that was put in place in May 1994. Computer programming has been intensive (in Cambridge with a staff of up to six programmers and from November 1994 until the end of the project, in Banjul), a network has been installed, and computer training has been ongoing (with the Commissioner a student as well). The training in computing skills has continued and been elaborated to cover much of the tax staff through the fall of 1994. That will continue over 1995. In-house training in accounting was carried on with our staff teaching all the tax officers in twice weekly sessions from November to the present. TIN legislation has been enacted and the filing system is in transition to this new system with the most advanced transition being in Company taxes which are the principal source of revenue. A system to computerize immigration was designed and programmed but the Immigration Department has not yet taken the steps to make it operational. In the Registry of Businesses in the Ministry of Justice, a program for keeping business registrations has been installed and is now operational in the Registry.

All of these improvements pale before the fact that revenues in the CRD are significantly higher than in the past. During the 1980s, CRD revenue was generally about 3% of GDP or less. In the 1993 fiscal year, it rose above that level for the first time to 3.6% of GDP. In fiscal 1994, figures were clearly running at over 4% of GDP during the half of the year we worked on the CRD reorganization etc. The Commissioner had targeted an objective for fiscal 1995 of 5.6% and this still seems achievable even though recent political events may make this more difficult to achieve. These are by Gambian historical standards very significant changes. I estimate that the amount that would be collected with a full compliance with the current tax laws would

be in the 8-10% range While a perfect compliance rate is a benchmark rather than a practical goal there clearly is still room for improvement

This report will review the status of the project's efforts as it comes to a funding end although many of the people involved are still active on this work funded by other sources

Review of Project Work

Appendix A reviews the detailed tasks that were set out for the project The following review summarizes the major dimensions of those tasks and their status

1 Departmental Re-organization

The Central Revenue Department has been reorganized to end a work process that was inherited from the colonial period and replace it with one structured around the operations of **three functional units compliance, support services, and collections** In addition, there is a **branch offices unit and a headquarters unit** The units each have a supervisory head, and all CRD personnel are now part of one of these units There will be a considerable effort required to make these units maximally effective, but now the CRD is structured around the computerized collection of taxes rather than the processing of paper by obsolete categories

Along with this reorganization, **significant training has taken place** Mr Jarboh spent a year at the International Tax Program at Harvard, and two tax officers went to Ghana in the summer of 1994 to undergo audit training In the September to November 1994 period, courses on computer usage (including spreadsheets, word processing and GAMTAXNET) were given in the CRD to much of the staff Accounting courses have been given and direct one on one training on the computer system continues as an important part of the training effort I expect that this will be a solid basis for building a trained staff for the new system and procedures

2 Computer Hardware

We have installed Local Area Networks (LANs) in the CRD (15 workstations) and the Sales Tax Unit (3 workstations) Further, two computers have been put in the Registry of Businesses A United Nations Volunteer (UNV) has been helping with the installation and maintenance as has a local electrician A powerful hardware base is now in place

3 Process Redesign and Associated Computer Software

A complete restructuring of the forms and tax processes was carried out over the last nine months. These new systems are described in relevant manuals (see the GAMTAXNET User's Guide, GAMTAXNET Administrative Manual, National Taxpayer Registry Manual, and GAMTAXNET Program Design Manual) and programming of GAMTAXNET was undertaken in Cambridge initially until we could recruit people in The Gambia to maintain it and continue development. A comprehensive system that would be easy to use and fully effective has been designed, and all the reactions to date to this system have been very favorable in Banjul, at both the Sales Tax Unit and the CRD.

4 Legal Changes

The Taxpayer Identification Number Act of 1993 was passed in December and signed by the President in February, 1994. A further amendment to the Income Tax Law to permit field audits was passed in June, 1994. We believe that the revenue departments have the full legal authority necessary to press an aggressive tax collection program.

5 Working Environment

Considerable effort has gone into making the working environment of the CRD more comfortable and attractive. The Sales Tax Unit is also being moved to increase the quality and efficiency of its working environment. There is unanimity that morale has been significantly improved as a result.

6 Interdepartmental Communications

In order to ensure that the CRD and Sales Tax Unit can be effective, they need the support of other government departments. Some of this comes in the form of information such as imports both by company, and by individual importer from the ASYCUDA computer system in Customs. Other information comes from various government officers who disburse funds and ensure that the law is met whenever appropriate including elements such as withholding tax on government rental payments. Some of this is now in place but more needs to be done.

While there are many details of the work as noted in the Appendix, the process was built on the importance of rapid applications development (RAD) and with as much use of contemporary information technology and other tools as possible. Projects such as this sometimes go on for many years. This project will be in full production a little over a year after coming into the Department, and almost none of the old procedures to process returns and assessments will still be there. All of this requires significant effort to institutionalize and prevent regression (as happened under the manual system of

recent history compared to how it used to operate in an earlier time) Thus the need to ensure that this effort takes place

Next we summarize the work and associated tasks appropriate to the next 6-9 months of this tax modernization program

Proposal for the next stage of work in tax administration

The current funding was intended to build a basic modern tax organization built around a computerized assessment and audit system This objective has been accomplished by Spring of 1995 well ahead of the predicted schedule The need at this point is to ensure that there is no gap in this effort, and that long term funding to institutionalize and develop this system is found

The following tasks elaborate the elements of the beginnings of such a process of institutionalization, and a continuance and development of tasks which current funding could not include such as the development of the branch office system, and communications with other GOTG department's computer systems, many of which are nascent or due under other funding

An important part of the increasing effectiveness of the revenue system is the need for coordination of the various computerization projects currently being undertaken in the GOTG Without such coordination the developments are going to be financially costly and liable to contribute to a 'Tower of Babel' when each department 'solves' their information systems problems only in terms of their own needs Clearly there is a need for some aggressive steps to take a country-wide perspective The following table (1) summarizes the next tasks that the project should take on before considering a broader basis of integration of the revenue services in another organizational form such a revenue board

**TABLE 1
FUTURE ACTIONS FOR REVENUE DEPARTMENTS**

- D1** Develop a full on-the-job training program for the staff built around modern tax administration principles and the computerized tax system

- D2** Continue to define information that should be exchanged between the Central Revenue Dept , Customs and Excise, Ministry of Finance, and Sales Tax and other relevant agencies

- D3** Refine data communications techniques and other electronic data transfer techniques such as faxes Develop communications capabilities with branch offices
- D4** Elaborate coordination mechanism with relevant agencies concerned with tax administration, compliance and revenue
- D5** Continue to send staff off for short and long term courses and seminars as agreed upon
- D6** Develop the capabilities of the branch offices to use the new system especially in the metropolitan areas of greater Banjul
- D7** Develop a full management reporting system and train staff on its use to ensure increased accountability and transparency
- D8** Develop interfaces with other parts of the Ministry of Finance and their computer systems including especially those of the Accountant General's Department

References

GAMTAXNET User's Manual, Version 1 0, Central Revenue Department, MFEA, The Quadrangle, Banjul, The Gambia, 16 March 1995

GAMTAXNET Administrative Manual Version 0 9, Central Revenue Department, MFEA, The Quadrangle, Banjul, The Gambia, 17 March 1995

GAMTAXNET Program Design Manual Version 0 8, Central Revenue Department, MFEA, The Quadrangle, Banjul, The Gambia, 4 March 1995

GAMTAXNET Tax Registry User's Manual Version 1 0, Ministry of Justice, The Gambia, 4 March 1995

Gray, Clive, Malcolm McPherson, James Owens, Clifford Zinnes,
Taxes and Private Sector Activity in The Gambia Overview and Recommendations for Change, Harvard Institute for International Development, February, 1992, Cambridge, Mass

Morrison, Donald G **Tax Reform for the Gambia A Proposal for Computerization and Administrative Modernization of Income and Other Taxes**, Harvard Institute for International Development (HIID), Cambridge, MA , 12 December 1992

Morrison, Donald G **Gambia Tax Project Task Status**, mimeo, HIID, Cambridge, MA 29 May 1994

Morrison, Donald G and James I Owens, **Tax Reform for the Gambia A Proposal for Computerization and Administrative Modernization of Income and Other Taxes**, Harvard Institute for International Development (HIID), Cambridge, MA 29 July 1992

Owens, James I **A Review and Proposal for Strengthening and Modernizing The Gambia Tax Administration**, Appendix 1 in Gray et al February 1992, January 1992

Personnel Management Office, **Staff Inspection of the Central Revenue Department**, June 1992, Banjul

Roemer, Michael **Strategies of Industrialization Lessons for The Gambia**, Harvard Institute for International Development, 7 July, 1992, Cambridge, MA USA

Tax Reform Committee, Ministry of Finance and Economic Affairs, Government of
The Gambia, **Action Plan for the Implementation of the Recommendations
Contained in the Draft Report "Taxes and Private Sector Activity in the
Gambia Overview and Recommendations for Change"** mimeo, 22 July 1992,
Banjul

Appendix A

WORK PLAN PROGRESS

A First six month period (October 1993-March 1993)

General Activity # 1 - Taxpayer Identification Numbers

- A1** Establish a Taxpayer Identification Number (TIN) to be used by each taxpayer in all dealings with the revenue system. Include checks to ensure accuracy of data entry. For the cases where an existing number is not to be used, a TIN Office should be established and the procedures for issuing the TIN should be defined, implemented and publicized.

Responsibility CRD, HIID, CID, Immigration, MoJ (Att Gen), MFEA

Status **DONE** Legislation was drafted in layman's form by us and then formally drafted by the Ministry of Justice, passed by Parliament, and signed by the President. A TIN function has been established in the CRD, and the revenue departments are all in the process of moving to the new numbering system. Those with an interest in the use of identification numbers (MoJ, Immigration, Social Security, Customs, CRD, MFEA) have agreed to the standard use of TINs for their several purposes. There will need to be some TINs issued by the CRD but most already exist (some organizations such as embassies, aid organizations and their service companies are the largest group it appears - all or most all without tax obligations).

- A2** Prepare legislation and/or regulations requiring all taxpayers to use the assigned TIN on all the tax returns filed and documents submitted to Central Revenue Department, and the Customs and Excise Tax Department.

Responsibility CRD, HIID, MoJ (Att Gen), MFEA

Status **DONE** There is widespread agreement on the use of a common TIN as noted above. The TIN Law is in place. A draft statement of the regulations to implement the Act have been submitted but not yet formally approved by the Minister of Finance. Despite this fact most parts of the proposed regulations have already been implemented in both CRD and Customs and Excise.

- A3** Design instructions and notices to be provided to the public notifying them of the requirement to use their TIN on all returns and documents

Responsibility CRD and HIID

Status **DONE** Newspaper and radio announcements have appeared, a program with the Commissioner and his deputies was aired and future programs will be aired Jim Owens will work with the Income Tax Commissioner to develop these directions further

- A4** Design the computerization of the Registrar General's Registration of Business and Companies in the Ministry of Justice, and the relevant parts of the National Identity Card Register and Alien Registry in the Immigration Department
Develop a computerization strategy for those data sources

Responsibility HIID, Registrar General, CRD, Immigration

Status **DONE** The detailed registration process for companies and partnerships (and business renewals) was described in a report We designed a prototype computer program for that activity in the summer and fall 1993 with a November 1993 installation Also a prototype for Immigration was done, and it will be installed as soon as machines are available at Immigration Various bugs need to be resolved and improvements made to the software modules to make them useful to the relevant departments Currently, we have bypassed this data entry exercise in those departments and are putting in the TIN data at CRD and Sales Tax

General Activity # 2 - Computer System Design and Acquisition

- A5** Design a computer network for the Central Revenue Department and Sales Tax to be called GAMDAXNET This includes reviewing CRD and Sales Tax operations and determining the number of workstations required, their location, storage capacity, etc

Responsibility HIID and CRD

Status **DONE** This network has been designed and the specifications reviewed and approved

- A6** Write the technical requirements for the hardware, software and support requirements Submit to the vendors
- Responsibility HIID
- Status **DONE** Equipment ordered and delivered to Banjul The only significant open question is the issue of ongoing maintenance contracts We are discussing these needs with several Gambian technical groups We expect a UN Volunteer to arrive for two years although recent events have delayed this process
- A7** Select equipment vendors and develop an installation plan
- Responsibility USAID (vendor), HIID and CRD
- Status **DONE** Vendors have supplied equipment and the installation plan follows our earlier reports
- A8** Determine installation dates and develop plans for installation, testing and acceptance of hardware, software and operating systems
- Responsibility HIID and CRD
- Status **DONE** Much of the software, most of the hardware and networking is installed and the remaining parts will be installed as we have the ability to incorporate the new and rewritten tax modules and training into the production system The entire system will be installed and running by the end of 1994
- A9** Select the locations in the offices where the computers will be located Purchase appropriate new office equipment (file cabinets, hand calculators, air conditioners, etc)
- Responsibility HIID and CRD
- Status **DONE**
- A10** Reorganize and upgrade the space in CRD to provide adequate security and to accommodate computerization and modernization of the work processes
- Responsibility MFEA, CRD, and HIID
- Status **DONE** Substantial progress has been made The CRD has been painted, new fans installed, new curtains in some offices, new offices constructed (for cashier and the project), a computer room

established, file cabinets moved and old files sent off to the public archives along with much dust. More needs to be done including a new classroom and meeting room, a new office, tiling of the floors, new windows and some furniture. It is expected that there will be substantial funds in the proposed World Bank loan to fund further renovations and improvements to an enlarged CRD.

General Activity # 3 - Develop Administrative Systems for the Computerized Processes

- A11** Determine applications, work processes and priorities to be computerized. Develop a master file for each taxpayer. The first application computerized should be the posting and balancing of cashier receipts. Evaluate which past records should be computerized.

Responsibility: HIID and CRD

Status: **DONE** In addition, extensive user documentation now exists for all applications except personal tax and capital gains.

- A12** Design new tax forms appropriate to the new tax computer system, GAMTAXNET.

Responsibility: HIID and CRD

Status: **DONE** All the major parts of the system have had forms redesigned for the computer system. In most cases little of the past system and forms remain. Indeed it can fairly be said that little of anything in the CRD will be carried over from last year to next.

General Activity # 4 - Data Exchange Processes

- A13** Begin to define information that should be exchanged between the Income Tax, Customs and Excise, Ministry of Finance, and Sales Tax and other relevant agencies.

Responsibility: CRD, HIID, AMEX, CED, MFEA, SSHFC, Central Bank

Status: **DONE** Discussions among a variety of actors in the system continue with the focus being to get all the systems as they are computerized (especially) to use a common way of identifying

citizens and organizations (i.e. to use the TINs) There seems to be a widespread consensus to do this and it is consistent with a variety of processes that are ongoing such as the Gambian ID Card and the Company Incorporation No. etc

- A14** Define data communications techniques or other electronic data transfer techniques Develop communications capabilities

Responsibility HIID

Status **DONE** This is a secondary objective which will be further developed as funding allows. But the process is started and the media defined. The commercial banks do telecommunications successfully over GAMTEL lines so we expect that CRD will also be able to do so. This process should also connect the revenue services' systems but it is clear that the Custom's ASYCUDA system is not set up to easily allow such transfers

- A15** Develop coordination mechanism with relevant agencies concerned with tax administration, compliance and revenue

Responsibility CRD, HIID, other relevant agencies

Status **DONE** The tax reform committee (TRC) provides this coordination meeting with respect to policy and regular meetings with operational people ensures the procedural complementarities

- A16** Send staff off for short and long term courses and seminars as agreed upon

Responsibility HIID, CRD, Sales Tax

Status **DONE** Mr. Alieu Jarboh of CRD spent the year 1993-94 at Harvard's International Tax Program (12 months). He returned in mid-June 1994 and heads the new Compliance Unit of the CRD. We have developed some short term training with MDI and within the CRD for in-country and on-the-job training. Meanwhile, under other funding, two tax officers went to Ghana for a six week course in auditing during July/August

B Second Six Month Period

General Activity # 2 -

Computerized Revenue System Applications Development

- B1** Program the computer applications in a modular form for the new computer system. Install and test them, and put into operation. Develop written standards, guidelines, and operating procedures for the computerized departments.

Responsibility HIID, CRD, Sales Tax

Status **DONE** The programming for the TIN databases is complete while the programming for the CRD computerization is also completed with the cashier application, company and personal tax, PAYE tax, sales tax, capital gains and payroll tax, activities reminder, and master file work all working. It is expected that it will take several months of test and debugging before there is a reliable product. A wide range of management reporting forms -have been programmed.

- B2** Begin development of utility programs such as for mailing labels, assessment notices, and other basic functions.

Responsibility HIID

Status **DONE** Automated assessment notices and mailing labels for company tax and sales tax have been created. This work will be continued by the current staff.

General Activity # 2 -

Computerized Revenue System Applications Development

- B3** Move towards self assessment. Develop educational materials and other informational programs as appropriate.

Responsibility CRD and HIID

Status **DONE** To the extent possible preparations for self-assessment have been built into the computerized system. There appears to be some doubt in the CRD and the tax reform committee with respect to proceeding on this proposal. We will alter software as

appropriate to handle this when a decision is made to go ahead but in December 1992 the Tax Reform Committee decided to postpone this issue until after other reforms and computerization were accomplished

- B4** Develop strategy for identifying non-filers Identify compliance needs and priorities (e.g. rental income, capital gains etc.) Identify resource needs for compliance activities

Responsibility CRD and HIID

Status **DONE** The TIN system is central to identifying non-filers We constructed a working list of the active companies which is being used as the benchmark for compliance on company taxes Such lists of putative taxpayers will be the backbone for enforcement and measurement of tax system performance in the future

- B5** Introduce regular tax audits utilizing the new system Evaluate compliance strategies

Responsibility CRD and HIID

Status **ONGOING** This activity will be developed as resources allow and demand directs Field audits have been explicitly enshrined in legislation in June, 1994, field audits have begun, This was not an agreed objective for the contract but was dealt with as developments allowed Further, funding will facilitate this objective

General Activity # 3 - Training

- B6** Identify, select and train some tax department staff members in the design and maintenance of the GAMTAXNET network, computer operations, basic programming, etc

Responsibility HIID and CRD

Status **DONE** Jodi Lis worked with the cashier and company tax officers A UNV who worked on the coding is due to arrive for two years, and Ahmed El Dib, a current UNV at the MDI will continue his teaching efforts They will be training the staff on the use of the system, and also training a programmer and data

entry people who are to be recruited for the CRD's staff This is a continuing exercise and much more will be done over the next year as the full system is installed and made operational

B7 Send staff off for short and long term courses and seminars as agreed upon

Responsibility HIID and CRD

Status **DONE** Candidates for further training will be reviewed for training as needed Most work now is intended as in-house and on the job training

General Activity # 4 - Develop Administrative and Compliance Systems

USAID (CAER)

B8 Develop an education and information campaign on civic responsibility, and a knowledge of the tax laws

Responsibility CRD and HIID

Status **ONGOING** Ads in the newspapers have appeared and radio programs have been developed Further plans will be developed as conditions stabilize

B9 Identify a **Tax Administration and Compliance Group** which will make evaluations regarding the **administrative implications of changes in tax law** and policy such as the effects on administration of

- o rate changes
- o broadening of the tax base
- o taxation of fringe benefits
- o treatment of investment income
- o adjustment for inflation

Responsibility CRD and HIID

Status **NOT STARTED** To be developed as resources and priorities permit

B10 Assist in the development of tax reform legislation Amend tax laws to **increase enforcement authority**, and to require withholdings in various areas of significant tax evasion

Responsibility CRD and HIID

Status **DONE** The TIN law and the new field audit legislation passed in June 1994 made significant additions to enforcement capabilities. We have been, and will continue, to contribute to the discussions in the tax reform committee at MFEA

- B11** Consider alternative organizational forms for the revenue departments such as a revenue board structure. Take a study tour (with 4 Gambians and Morrison and Owens) to review revenue board experience in other African countries (e.g. Ghana, Uganda, Zambia)

Responsibility HIID

Status **NOT PROJECT RESPONSIBILITY** We will assist in any way to further the evaluation of alternate organizational forms for the revenue departments. There are some people in the IFIs and GOTG who see this as an important issue

C Third six month period

General Activity # 1 - Training

- C1** Continue training of staff throughout the CRD and Sales Tax. Develop documentation and training materials for ongoing training processes

Responsibility HIID

Status **DONE** This was a principal task of the last period, that is providing training, documentation, and modification of the system constructed in the earlier period. Training courses on computer literacy and accounting have been given to all the tax officers of CRD

- C2** Train assessors and inspectors in the new tax laws using the computer workstations

Responsibility HIID

Status **STARTED** This began in the fall and winter of 1994

C3 Send staff off for short and long term courses and seminars as agreed upon

Responsibility HIID and CRD

Status **NOT DONE** Training was not available due to the USAID shutdown plans

**General Activity # 2 -
Computerized Revenue System Applications Development**

C4 Develop reports as needed including an Annual Report and other statistical reports

Responsibility CRD and HIID

Status **ONGOING** We have developed basic management reports from the computerized system All of this will be a part of the use of the information system as it develops

General Activity # 3 - Develop Administrative and Compliance Systems

C5 Prepare information bulletins to assist staff and taxpayers in understanding how to comply with the current income tax law Undertake program to identify potential income taxpayers and to alert them of potential tax liability

Responsibility CRD and HIID

Status **ONGOING** This will be developed and elaborated as the system is put in place

C6 Develop a Corporate Plan for the CRD to outline the Department's objectives, goals, etc for the next 3-5 years

Responsibility CRD and HIID

Status **NOT PROJECT RESPONSIBILITY** We will work on this in cooperation with CRD staff as resources permit